

**FORSYTH COUNTY HUMANE SOCIETY
& SPCA, INC.**

Financial Statements

March 31, 2022 and 2021

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BUTLER BURKE LLP

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Forsyth County Humane Society & SPCA, Inc.
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the accompanying financial statements of Forsyth County Humane Society & SPCA, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presented fairly, in all material respects, the financial position of Forsyth County Humane Society & SPCA, Inc. as of March 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Forsyth County Humane Society & SPCA, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Forsyth County Humane Society & SPCA, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Forsyth County Humane Society & SPCA, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Forsyth County Humane Society & SPCA, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Butler & Burke LLP

Winston-Salem, North Carolina
October 11, 2022

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 143,027	\$ 489,945
Promises to give, net	105,375	221,415
Other receivables	624,144	18,388
Investments	832,300	829,726
Property and equipment, net	3,385,241	3,438,909
Other assets	2,495	6,562
Beneficial interest in perpetual trust	<u>875,891</u>	<u>888,551</u>
<u>TOTAL ASSETS</u>	<u>\$ 5,968,473</u>	<u>\$ 5,893,496</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 220,739	\$ 141,098
Notes payable	500,000	429,732
Other debt	<u>292,900</u>	<u>292,900</u>
<u>Total Liabilities</u>	<u>1,013,639</u>	<u>863,730</u>
Net Assets		
Without donor restrictions	3,829,394	3,805,765
With donor restrictions	<u>1,125,440</u>	<u>1,224,001</u>
<u>Total Net Assets</u>	<u>4,954,834</u>	<u>5,029,766</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 5,968,473</u>	<u>\$ 5,893,496</u>

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 682,275	\$ 1,553	\$ 683,828
Grants	80,294	19,137	99,431
Membership dues	3,725	-	3,725
FurrBall special event	343,168	-	343,168
Other special events	1,681	24,697	26,378
In-kind contributions	4,100	-	4,100
Adoption center and animal shelter program revenue	865,998	-	865,998
Re-Tail sales	9,824	-	9,824
Investment income, net	47,898	-	47,898
Net realized and unrealized losses on investments	(45,056)	-	(45,056)
Other income	722,379	-	722,379
Beneficial interest in perpetual trust Investment income	26,657	-	26,657
Change in value	-	(12,660)	(12,660)
	<u>2,742,943</u>	<u>32,727</u>	<u>2,775,670</u>
Net assets released from restrictions	<u>131,288</u>	<u>(131,288)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>2,874,231</u>	<u>(98,561)</u>	<u>2,775,670</u>
EXPENSES			
Program services			
Adoption center and animal shelter	1,985,850	-	1,985,850
Community outreach	180,469	-	180,469
Management and general	265,843	-	265,843
Fundraising	418,440	-	418,440
	<u>2,850,602</u>	<u>-</u>	<u>2,850,602</u>
<u>Total Expenses</u>	<u>2,850,602</u>	<u>-</u>	<u>2,850,602</u>
CHANGE IN NET ASSETS	23,629	(98,561)	(74,932)
Net Assets, Beginning of Year	<u>3,805,765</u>	<u>1,224,001</u>	<u>5,029,766</u>
Net Assets, End of Year	<u>\$ 3,829,394</u>	<u>\$ 1,125,440</u>	<u>\$ 4,954,834</u>

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 1,187,291	\$ -	\$ 1,187,291
Grants	76,407	19,127	95,534
Membership dues	4,920	-	4,920
FurrBall special event	259,125	-	259,125
Other special events	-	14,215	14,215
In-kind contributions	6,706	-	6,706
Adoption center and animal shelter program revenue	784,311	-	784,311
Re-Tail sales	5,705	-	5,705
Investment income, net	11,188	-	11,188
Net realized and unrealized gains on investments	61,050	-	61,050
Gain upon debt extinguishment	293,500	-	293,500
Other income	38,501	-	38,501
Beneficial interest in perpetual trust Investment income	23,884	-	23,884
Change in value	-	92,388	92,388
	<u>2,752,588</u>	<u>125,730</u>	<u>2,878,318</u>
Net assets released from restrictions	<u>97,719</u>	<u>(97,719)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>2,850,307</u>	<u>28,011</u>	<u>2,878,318</u>
EXPENSES			
Program services			
Adoption center and animal shelter	1,468,310	-	1,468,310
Community outreach	165,444	-	165,444
Management and general	352,542	-	352,542
Fundraising	237,972	-	237,972
	<u>2,224,268</u>	<u>-</u>	<u>2,224,268</u>
<u>Total Expenses</u>	<u>2,224,268</u>	<u>-</u>	<u>2,224,268</u>
CHANGE IN NET ASSETS	626,039	28,011	654,050
Net Assets, Beginning of Year	<u>3,179,726</u>	<u>1,195,990</u>	<u>4,375,716</u>
Net Assets, End of Year	<u>\$ 3,805,765</u>	<u>\$ 1,224,001</u>	<u>\$ 5,029,766</u>

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2022

	Program Services			Management and General	Fundraising	Total
	Adoption Center and Animal Shelter	Community Outreach	Total Program Services			
Salaries and benefits	\$ 1,305,907	\$ 109,507	\$ 1,415,414	\$ 143,190	\$ 247,356	\$ 1,805,960
Animal supplies	294,202	2,009	296,211	-	-	296,211
Other animal expenses	64,151	5,033	69,184	-	-	69,184
Repairs and maintenance	8,468	1,323	9,791	5,263	964	16,018
Travel and vehicle	-	1,073	1,073	106	-	1,179
Insurance	31,298	3,209	34,507	877	3,482	38,866
Advertising	3,907	18,737	22,644	2,949	4,687	30,280
FurrBall special event	-	-	-	-	59,849	59,849
Other special events	49	145	194	-	2,300	2,494
Office expense	26,095	1,353	27,448	5,148	26,584	59,180
Utilities	106,919	-	106,919	21,584	13,371	141,874
Depreciation	60,541	27,942	88,483	4,657	-	93,140
Professional fees	60,209	1,935	62,144	50,572	20,157	132,873
Re-Tail store expenses	-	3,831	3,831	-	-	3,831
Bad debt expense	-	-	-	-	34,315	34,315
In-kind expenses	-	-	-	-	4,100	4,100
Interest expense	8,344	3,851	12,195	642	-	12,837
Other	15,760	521	16,281	30,855	1,275	48,411
	<u>\$ 1,985,850</u>	<u>\$ 180,469</u>	<u>\$ 2,166,319</u>	<u>\$ 265,843</u>	<u>\$ 418,440</u>	<u>\$ 2,850,602</u>

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2021

	Program Services			Management and General	Fundraising	Total
	Adoption Center and Animal Shelter	Community Outreach	Total Program Services			
Salaries and benefits	\$ 987,781	\$ 109,878	\$ 1,097,659	\$ 216,883	\$ 168,189	\$ 1,482,731
Animal supplies	195,673	-	195,673	-	-	195,673
Other animal expenses	53,086	4,191	57,277	-	-	57,277
Repairs and maintenance	6,066	1,289	7,355	2,305	387	10,047
Travel and vehicle	-	339	339	-	-	339
Insurance	49,450	4,276	53,726	9,327	3,966	67,019
Advertising	825	641	1,466	2,701	1,696	5,863
FurrBall special event	-	-	-	-	21,330	21,330
Office expense	14,592	764	15,356	9,023	26,180	50,559
Utilities	49,594	-	49,594	12,846	5,177	67,617
Depreciation	60,616	27,977	88,593	4,663	-	93,256
Professional fees	26,771	3,904	30,675	64,185	2,789	97,649
Re-Tail store expenses	580	-	580	-	-	580
In-kind expenses	-	-	-	-	6,706	6,706
Interest expense	14,483	6,685	21,168	1,114	-	22,282
Other	8,793	5,500	14,293	29,495	1,552	45,340
	<u>\$ 1,468,310</u>	<u>\$ 165,444</u>	<u>\$ 1,633,754</u>	<u>\$ 352,542</u>	<u>\$ 237,972</u>	<u>\$ 2,224,268</u>

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (74,932)	\$ 654,050
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	93,140	93,256
Change in discount on promises to give	450	-
Bad debt expense	34,315	-
Net realized and unrealized (gains) losses on investments	45,056	(61,050)
Change in value of beneficial interest	12,660	(92,388)
Gain upon debt extinguishment	-	(293,500)
Changes in operating assets and liabilities		
(Increase) decrease in:		
Promises to give	81,275	77,576
Other receivables	(605,756)	(786)
Other assets	4,067	(562)
Increase (decrease) in:		
Accounts payable and accrued expenses	79,641	(48,442)
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>(330,084)</u>	<u>328,154</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(39,472)	-
Purchase of investments	(47,630)	(509,025)
<u>Net Cash Used in Investing Activities</u>	<u>(87,102)</u>	<u>(509,025)</u>
FINANCING ACTIVITIES		
Debt proceeds	350,000	882,709
Principal repayments of debt	(279,732)	(476,434)
<u>Net Cash Provided by Financing Activities</u>	<u>70,268</u>	<u>406,275</u>
Change in Cash and Cash Equivalents	(346,918)	225,404
Cash and Cash Equivalents, Beginning of Year	<u>489,945</u>	<u>264,541</u>
Cash and Cash Equivalents, End of Year	<u>\$ 143,027</u>	<u>\$ 489,945</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	<u>\$ 12,837</u>	<u>\$ 22,282</u>

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A: ORGANIZATION AND NATURE OF ACTIVITIES

Forsyth County Humane Society & SPCA, Inc. (“the Organization”) is a not-for-profit corporation formed in 1941. The Organization’s mission is to promote and provide for the humane treatment of cats and dogs in Forsyth County. In support of this mission, the Organization is committed to achieving a 90% save rate of shelter cats and dogs in Forsyth County by 2023. The Organization works to achieve this goal through education, community outreach, foster care and adoption placements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - net assets that are not restricted by donors or for which donor-imposed restrictions have expired. If the board specifies a purpose where none has been stated, such funds are classified as board designated assets without donor restrictions.

Net assets with donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include all demand deposits at banking institutions.

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Contributions and grants (promises to give) are recognized as revenues in the period the commitment is made. The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions and grants revenue in the statements of activities. The Organization determines an allowance for uncollectible promises to give based on historical experience, an assessment of the economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. The allowance for uncollectible promises to give was \$51,468 at March 31, 2021. There was no allowance for uncollectible promises to give at March 31, 2022. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met.

Beneficial Interest in Perpetual Trust

Beneficial interest in perpetual trust represents assets held in a trust by a third party, from which the Organization has irrevocable right to receive a share of the income earned on trust assets in perpetuity, but will never receive the assets held in trust. The trust is recorded at fair market value. Annual distributions from the trust are reported as investment income and increase net assets without donor restrictions. Adjustments to the amount reported as the Organization's share of the trust assets are reflected as change in value of the perpetual trust.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, generally 5 to 39 years. The cost of maintenance and repairs is expensed as incurred.

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

Contributions of assets other than cash are recorded at their estimated fair value. The Organization reports revenue for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. These contributions, primarily FurBall sponsorships and donated goods, amounted to \$4,100 and \$6,706 for the years ended March 31, 2022 and 2021, respectively.

Additionally, a substantial number of volunteers donate significant amounts of time to the Organization; however, no amounts have been reflected in the financial statements for these services since the donated services do not meet the above conditions for recognition under GAAP.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated between the programs and supporting services benefited. The primary expenses that are allocated include salaries and benefits, repairs and maintenance, office expense, utilities, and depreciation, which are allocated based on time, effort, and square footage. Directly identifiable expenses are charged to the appropriate programs and supporting services.

Advertising Costs

Advertising costs, included in other expenses in the accompanying statements of functional expenses, are expensed as incurred. Advertising costs totaled \$30,279 and \$5,863 for the years ended March 31, 2022 and 2021, respectively.

Income Tax Status

The Organization is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose.

The Organization's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. It is the opinion of management that the Organization has no uncertain tax positions that would be subject to change upon examination.

The Organization is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The Organization is also required to file an exempt organization business income tax return (Form 990-T) for any year unrelated business income exceeds \$1,000. The Organization's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated its subsequent events (events occurring after March 31, 2022) through the date of this report, which represents the date the financial statements were available to be issued and determined that all significant events and disclosures are included in the financial statements.

Recently Issued Accounting Pronouncements Not Yet Effective

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on all of the Organization’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021. Management does not expect this ASU to have a significant impact on the Organization’s financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021 and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management does not expect this ASU to have a significant impact on the Organization’s financial statements.

NOTE C: CONCENTRATION OF RISK AND FUNDING

The financial instruments that potentially subject the Organization to credit risk consist primarily of cash, investments, and promises to give.

The Organization maintains its deposited cash balances in various financial institutions. Cash on deposit with banks may at times exceed federally insured limits. The Organization has not experienced any losses on these accounts. The Organization’s investments are maintained within a single brokerage account. This investment portfolio is diversified among issuers.

Promises to give and other receivables are by their nature, unsecured.

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 143,027	\$ 489,945
Promises to give, net	105,375	221,415
Other receivables	327,691	18,388
Investments	832,800	829,726
Beneficial interest in perpetual trust	<u>875,891</u>	<u>888,551</u>
Total financial assets	2,284,784	2,448,025
Less those unavailable for general expenditure within one year due to:		
Purpose or passage of time restrictions	(177,085)	(194,000)
Beneficial interest in perpetual trust	<u>(875,891)</u>	<u>(888,551)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,231,808</u>	<u>\$ 1,365,474</u>

The Organization has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE E: PROMISES TO GIVE

Unconditional promises to give are recorded at the present value of estimated future cash flows with discount rates ranging from 0% to 2.27% as of March 31, 2022 and 2021. As of March 31, 2022 and 2021, unconditional promises to give are expected to be realized in the following periods:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 85,375	\$ 203,333
Due in one to five years	20,000	70,000
Total unconditional promises to give	105,375	273,333
Less:		
Allowance for uncollectible promises to give	-	(51,468)
Discount to present value	<u>-</u>	<u>(450)</u>
	<u>\$ 105,375</u>	<u>\$ 221,415</u>

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F: FAIR VALUE MEASUREMENTS

Financial assets and liabilities required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

Assets and liabilities measured at fair value are categorized depending on the observability of the inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable data for substantially the full term of the assets or liabilities. Level 3 inputs are unobservable for the asset or liability, including the Organization's own assumptions in determining the fair value of assets or liabilities.

Valuation techniques used in the fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

The following is a description of the valuation methodologies used by the Organization for assets measured at fair value:

Investments: Mutual Funds - Valued at the closing price reported on the active markets on which the individual securities are traded (Level 1).

Beneficial Interest In Perpetual Trust: Valued at the fair value of the trust investments, determined by the closing price reported on the active or observable market on which the individual securities that are held in trust are traded, as reported to the Organization by the trustee (Level 3).

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F: FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of March 31, 2022 and 2021:

	2022				2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Investments								
Cash	\$ 129	\$ -	\$ -	\$ 129	\$ 255	\$ -	\$ -	\$ 255
Mutual Funds								
Bond Funds								
Intermediate	212,839	-	-	212,839	224,234	-	-	224,234
Short Term	52,519	-	-	52,519	54,458	-	-	54,458
High Yield	19,042	-	-	19,042	19,099	-	-	19,099
Intermediate Government	25,893	-	-	25,893	27,434	-	-	27,434
Corporate	37,716	-	-	37,716	40,215	-	-	40,215
Emerging Markets	18,092	-	-	18,092	19,878	-	-	19,878
	<u>366,101</u>	<u>-</u>	<u>-</u>	<u>366,101</u>	<u>385,318</u>	<u>-</u>	<u>-</u>	<u>385,318</u>
Equity Funds								
Foreign Large Blend	50,633	-	-	50,633	52,591	-	-	52,591
Foreign Small/Mid	5,935	-	-	5,935	6,474	-	-	6,474
Large Blend	108,813	-	-	108,813	105,601	-	-	105,601
Large Cap Growth	122,477	-	-	122,477	114,683	-	-	114,683
Large Cap Value	137,326	-	-	137,326	122,882	-	-	122,882
Mid Cap Growth	11,290	-	-	11,290	11,822	-	-	11,822
Mid Cap Value	17,331	-	-	17,331	15,550	-	-	15,550
Small Cap Growth	12,265	-	-	12,265	14,550	-	-	14,550
	<u>466,070</u>	<u>-</u>	<u>-</u>	<u>466,070</u>	<u>444,153</u>	<u>-</u>	<u>-</u>	<u>444,153</u>
Total investments at fair value	<u>832,300</u>	<u>-</u>	<u>-</u>	<u>832,300</u>	<u>829,726</u>	<u>-</u>	<u>-</u>	<u>829,726</u>
Beneficial interest in perpetual trust	-	-	875,891	875,891	-	-	888,551	888,551
Total assets at fair value	<u>\$ 832,300</u>	<u>\$ -</u>	<u>\$ 875,891</u>	<u>\$ 1,708,191</u>	<u>\$ 829,726</u>	<u>\$ -</u>	<u>\$ 888,551</u>	<u>\$ 1,718,277</u>

The table below sets forth a summary of changes in the fair value of the Organization's level 3 assets for the years ended March 31, 2022 and 2021:

	2022	2021
Assets:		
Balance, beginning of year	\$ 888,551	\$ 796,163
Change in value of beneficial interest	<u>(12,660)</u>	<u>92,388</u>
Balance, end of year	<u>\$ 875,891</u>	<u>\$ 888,551</u>

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G: PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at March 31:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 128,884	\$ 128,884
Equipment	35,304	33,405
Vehicles	207,259	169,686
Building	2,386,147	2,386,147
Land and land improvements	<u>1,281,792</u>	<u>1,281,792</u>
	4,039,386	3,999,914
Less accumulated depreciation	<u>(654,145)</u>	<u>(561,005)</u>
	<u>\$ 3,385,241</u>	<u>\$ 3,438,909</u>

Depreciation expense totaled \$93,140 and \$93,256 for the years ended March 31, 2022 and 2021, respectively.

NOTE H: NOTES PAYABLE

Notes payable consists of the following at March 31:

	<u>2022</u>	<u>2021</u>
Construction loan with First Citizens Bank, allowing for draws to a maximum of \$2,000,000, due in monthly installments beginning April 2021, including interest at 3.10%. The outstanding principal was paid in full during the year ended March 31, 2022.	\$ -	\$ 279,732
Economic Injury Disaster Loan ("EIDL") from the U.S. Small Business Administration in the amount of \$500,000, with proceeds to be used for working capital purposes. This loan is to be repaid in installment payments, including principal and interest of \$2,207 per month at an interest rate of 2.75%. Payments are deferred for two years from the loan date of May 22, 2020. The loan matures on May 22, 2050.	<u>500,000</u>	<u>150,000</u>
	<u>\$ 500,000</u>	<u>\$ 429,732</u>

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H: NOTES PAYABLE (CONTINUED)

Notes payable are expected to mature as follows at each March 31:

2023	\$ 9,722
2024	13,166
2025	13,533
2026	13,910
2027	14,297
Thereafter	<u>435,372</u>
	<u>\$ 500,000</u>

Interest expense was \$12,837 and \$22,282 for the years ended March 31, 2022 and 2021, respectively.

NOTE I: OTHER DEBT

On April 11, 2020, the Organization received loan proceeds in the amount of \$293,500 under round one of the Paycheck Protection Program (“PPP”). On January 31, 2021, the Organization received another \$292,900 under round two of the PPP. Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount may be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Organization believes it used PPP loan proceeds for purposes consistent with the PPP and obtained full forgiveness in March 2021 from the Small Business Administration for the round one PPP loan. The Organization obtained full forgiveness of the second round PPP loan in June 2022.

The Organization initially accounts for each PPP loan in accordance with ASC 470, *Debt*, and subsequently derecognizes each debt when the debt is forgiven in accordance with ASC 405-20, *Liabilities: Extinguishments of Liabilities*. The amount forgiven under round one of the PPP is presented in the statement of activities for the year ended March 31, 2021 as a gain upon debt extinguishment. The amount forgiven under round two of the PPP will be presented in the statement of activities for the year ended March 31, 2023 as a gain upon debt extinguishment.

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE J: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at March 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purposes and/or passage of time:		
Sick animal fund	\$ 27,190	\$ 17,191
Shelter animal behavior and enrichment program	50,000	50,000
Community cats rescue	13,000	13,000
Save heartworm positive dogs	9,500	9,500
Transport vehicle	8,786	8,786
90% Save Rate Campaign promises to give	92,465	211,000
Mutt Strutt Fundraiser	47,608	24,973
Critter Camp	<u>1,000</u>	<u>1,000</u>
	249,549	335,450
Not subject to the Organization’s spending policy or appropriation:		
Beneficial interest in perpetual trust	<u>875,891</u>	<u>888,551</u>
	<u>\$ 1,125,440</u>	<u>\$ 1,224,001</u>

NOTE K: LEASES

The Organization leases office equipment under operating leases expiring through September 2026. Future minimum lease payments under noncancellable leases with initial or remaining terms of one year or more are summarized as follows at each March 31:

2023	\$ 12,484
2024	12,484
2025	12,484
2026	12,484
2027	<u>3,370</u>
	<u>\$ 53,306</u>

Rent expense under all operating leases was \$12,886 and \$10,025, for the years ended March 31, 2022 and 2021, respectively.

FORSYTH COUNTY HUMANE SOCIETY & SPCA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE L: EMPLOYEE BENEFIT PLAN

The Organization maintains an employee benefit plan established under Section 403(b) of the Internal Revenue Code. The Plan is available to substantially all employees of the Organization who have met certain service and eligibility requirements. Employee contributions to the Plan are limited to a percentage of compensation, as defined by the Plan, and are matched by the Organization subject to certain limitations. The Organization contributed \$21,385 and \$15,453 to the Plan on behalf of its employees for the years ended March 31, 2022 and 2021, respectively.

NOTE M: RELATED PARTY TRANSACTIONS

The Organization receives contributions from members of the Board of Directors. Contribution revenue from current Board members was \$79,297 and \$35,904 for the years ended March 31, 2022 and 2021, respectively. There was \$35,000 and \$106,500 of promises to give from Board members at March 31, 2022 and 2021, respectively.

NOTE N: FURRBALL SPECIAL EVENT

FurrBall is an annual special event conducted by the Organization and is designed to provide additional revenue for use in the Organization’s normal operations. Support and revenue and related expenses for this event are as follows for the years ended March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Support and Revenue		
Sponsorships	\$ 130,000	\$ 66,500
Auction sales	21,440	10,782
Ticket sales/contributions for current year	<u>191,728</u>	<u>181,843</u>
<u>Total Support and Revenue</u>	<u>343,168</u>	<u>259,125</u>
Expenses		
Advertising	7,673	4,177
Video production	4,200	12,903
Facilities	32,021	-
Other expenses	<u>15,955</u>	<u>4,250</u>
<u>Total Expenses</u>	<u>59,849</u>	<u>21,330</u>
Net	<u>\$ 283,319</u>	<u>\$ 237,795</u>